

ATTACHMENT

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From: Berg, Ann M (DHS)
Sent: Tuesday, November 28, 2017 10:31 AM
To: 'Truffer, Christopher J. (CMS/OACT)'; 'Wojcicki, Michelle A. (CMS/CMCS)'; 'meg.barry@cms.hhs.gov'; 'cassandra.lagorio@cms.hhs.gov'; 'sarah.delone2@cms.hhs.gov'
Cc: Zimmerman, Marie L (DHS)
Subject: Minnesota BHP 2018 Payments

Chris, Michelle, Meg, Sarah, Cassie:

We understand that CMS intends to revise the payment methodology for the Basic Health Program (BHP) to reflect the President's decision to stop payments to insurers for the cost-sharing reductions. We are writing to ensure that all relevant factors are incorporated into the payment methodology that are necessary in order to avoid disparate treatment in states that operate Basic Health Programs.

As you know, the payment methodology for the BHP must take into account all relevant factors necessary to determine the value of 95% of what BHP enrollees would have been eligible for in tax credits and cost-sharing reductions through a Qualified Health Plan (QHP). The BHP statute and regulation requires CMS to consider the following factors in developing the payment methodology:

- Age;
- Income;
- Self versus family coverage;
- Geographic differences in spending;
- Differences in health status;
- Reconciliation of the tax credits and CSRs;
- Marketplace experience in other states; and
- Other factors.^[1]

A new methodology for 2018 without the CSR payments should also include an upward adjustment to silver level premiums for what would have occurred if the BHP population had been in the individual market QHP. In states that do not have a BHP, upward adjustments were made to the 2018 silver level QHP premiums to reflect the absence of payment for the cost-sharing reductions. In states with BHPs, the vast majority of CSR payments occur in the BHP population because the income range is from zero to 200% of poverty and the CSRs end at 250%. Also, the percent increase in actuarial value (and cost) due to the CSRs is far greater at the lower income levels--the BHP is still required to provide coverage at 94% actuarial value for people with income below 150% of poverty, and 87% for people with income above 150% of poverty.

The premium tax credits for the BHP should therefore reflect these adjustments that would have otherwise been made if the BHP population were in the market and enrolled in a QHP. CMS is also required to consider the experience of other states with respect to participation in an Exchange and such credits and reductions provided to residents of the other states, with a special focus on enrollees with income below 200 percent of poverty.

We therefore request that the payment methodology reflect an adjustment to the reference premium to account for benchmark premium increases that would have occurred in Minnesota's market if that BHP population were in the market, as evidenced by the experience in other states. Such an adjustment to the payment methodology would require a multiplicative factor in the premium tax credit (PTC) equation. The Kaiser Foundation recently reported the impact of the loss of CSR payments on 2018 premiums across the country based on public filings from insurers.^[2] They conclude

that these findings are generally consistent with their previous estimate that silver premiums would require a 19% increase on average to reflect the loss of the CSRs. We believe this would be consistent with Minnesota's market expectations, although we calculate the CSR effect in Minnesota as slightly higher, at 20.2%. Assuming a 20.2% increase in benchmark premiums in the absence of a BHP, the value of the cost sharing loss factor (CSLF) in the BHP payment methodology would be $CSLF = 1/(1-0.202) = 1.235$. The revised PTC formula including the CSLF would be: $PTC = (RP*PTF*PHF*CSLF - HH \text{ Premium Charges}) * IRF * 95\%$. As an alternative to adjusting the PTC factor, we could send CMS the 2018 premiums adjusted for this effect.

In addition, we also suggest that revision to the payment notice should also include a new opportunity to reconsider the election regarding the use of either the actual 2018 premiums or the 2017 premiums plus trend in the federal payment methodology, given the change in circumstances.

We expect to provide similar comments regarding the BHP payment methodology during the 30-day comment period when the revised BHP payment notice is published in the Federal Register.

Please also note that nothing in this email should be interpreted as agreement with CMS' actions to discontinue payments for the cost-sharing reductions.

Thank you.

-Ann

Ann Berg

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^[1] 42 U.S.C. § 18051 (d)(3)(A)(ii) provides: "...This determination shall take into consideration the experience of other States with respect to participation in an Exchange and such credits and reductions provided to residents of other the other States, with a special focus on enrollees with income below 200 percent of poverty." 42 C.F.R. § 600.605 contains similar language.

^[2] <http://www.healthcarefinancenews.com/news/insurers-filing-2018-premium-rates-affordable-care-act-marketplace-cite-uncertainty-over-csrs>